

Message Text

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ACTION EUR-12

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TO SECSTATE WASHDC 9833

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AMEMBASSY COPENHAGEN

USMISSION EC BRUSSELS UNN

USMISSION OECD PARIS UNN

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UNCLAS SECTION 1 OF 2 STOCKHOLM 0752

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SUBJECT: SPECIAL MEETING OF THE EFTA CONSULTATION COMMITTEE IN
STOCKHOLM, FEBRUARY 15

REF: STOCKHOLM 0751

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1. TEXT OF COMMUNIQUE OF THE SPECIAL MEETING OF THE EFTA
CONSULTATION COMMITTEE IN STOCKHOLM, FEBRUARY 15, FOLLOWS:

2. BEGIN TEXT: A SPECIAL MEETING OF THE EFTA CONSUL-
TATIVE COMMITTEE, WITH THE PARTICIPATION OF MEMBERS OF
GOVERNMENTS, REPRESENTATIVES OF TRADE UNIONS, EMPLOYERS

AND OF OTHER ECONOMIC ORGANIZATIONS, WAS CONVENED IN STOCKHOLM ON 14 AND 15 FEBRUARY 1977 FOR DISCUSSION OF THE ECONOMIC SITUATION AND FUTURE DEVELOPMENTS IN THE EFTA AREA AND WESTERN EUROPE AS A WHOLE.

3. THE MEETING RECALLED THE AIM OF EFTA TO PROMOTE EUROPEAN FREE TRADE AND ITS OBJECTIVES AS SET OUT IN ARTICLE 2 OF THE STOCKHOLM CONVENTION, IN PARTICULAR:
-- TO PROMOTE A SUSTAINED EXPANSION OF ECONOMIC ACTIVITY,

FULL EMPLOYMENT, INCREASED PRODUCTIVITY AND THE RATIONAL USE OF RESOURCES, FINANCIAL STABILITY AND CONTINUOUS IMPROVEMENT IN LIVING STANDARDS;
-- TO SECURE THAT TRADE BETWEEN MEMBER STATES TAKES PLACE IN CONDITIONS OF FAIR COMPETITION;
-- TO CONTRIBUTE TO THE HARMONIOUS DEVELOPMENT AND EXPANSION OF WORLD TRADE AND TO THE PROGRESSIVE REMOVAL OF BARRIERS TO IT.

4. THE MEETING EXPRESSED CONCERN ABOUT THE INTERNATIONAL ECONOMIC SITUATION. THE RECESSION WHICH BEGAN IN 1974-75 HAD LED BY JANUARY 1977 TO HIGH UNEMPLOYMENT IN THE MAJORITY OF THE OECD COUNTRIES. PRESENT PROJECTIONS SHOWED THAT ECONOMIC ACTIVITY IN THIS AREA WOULD NOT REACH A SATISFACTORY LEVEL IN 1977.

5. THE MEETING HAD A THOROUGH DISCUSSION OF THE OBJECTIVES OF ECONOMIC POLICY ESPECIALLY WITH REGARD TO EMPLOYMENT, BALANCED ECONOMIC GROWTH AND FINANCIAL
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AND MONETARY STABILITY, AND CAME TO THE FOLLOWING CONCLUSIONS:

A) THERE WAS A GENERAL CONSENSUS THAT PRIORITY MUST BE GIVEN TO THE OBJECTIVE OF ACHIEVING A LASTING RETURN TO FULL EMPLOYMENT AND AT THE SAME TIME OF OBTAINING SUSTAINED GROWTH AND ECONOMIC STABILITY AS BASIC CONDITIONS FOR ACHIEVING A SATISFACTORY LEVEL OF EMPLOYMENT. THE SAME OBJECTIVES WERE EQUALLY IMPORTANT FOR ALL COUNTRIES OF WESTERN EUROPE AND THE MEETING NOTED THAT SIMILAR VIEWS HAD BEEN EXPRESSED AT THE TRIPARTITE CONFERENCE OF THE COMMUNITIES IN 1976.

B) THE RATE OF ECONOMIC RECOVERY HAD SLOWED IN THE SECOND HALF OF 1976, WHEN FINAL DEMAND FAILED TO INCREASE AS ORIGINALLY EXPECTED. ALMOST ALL COUNTRIES HAD NOW SCALED DOWN THEIR EXPECTATIONS FOR GROWTH IN 1977 AND UNEMPLOYMENT WAS AGAIN INCREASING AND GENERALLY WAS BACK AT ITS PEAK LEVEL OF 1975. THE FACT THAT WESTERN INDUSTRIAL COUNTRIES WERE PURSUING

DIFFERENT NATIONAL POLICIES REGARDING FULL EMPLOYMENT, BALANCED ECONOMIC GROWTH AND ECONOMIC STABILITY, HAD CONTRIBUTED TO GREATER DIVERGENCIES IN GENERAL ECONOMIC PERFORMANCE. SEVERAL EFTA COUNTRIES HAD EXPERIENCED CONSIDERABLE INCREASES IN PRODUCTION COSTS WHICH HAD REDUCED THE COMPETITIVENESS OF THEIR INDUSTRIES. ECONOMIC POLICIES IN THOSE COUNTRIES SHOULD THEREFORE AIM AT REDUCING COST PRESSURES. A FEW WESTERN INDUSTRIAL COUNTRIES REGISTERED LARGE BALANCE OF PAYMENTS SURPLUSES, WHEREAS MANY OTHERS EXPERIENCED WEAK FOREIGN BALANCES. AT THE MEETING IT WAS STRESSED THAT COUNTRIES IN A STRONGER POSITION SHOULD LET INTERNAL DEMAND EXPAND SUFFICIENTLY TO CONTRIBUTE TO A VIABLE INTERNATIONAL RECOVERY, WHILE NOT ENDANGERING ECONOMIC STABILITY. THE AIM OF FULL EMPLOYMENT WITH PRICE STABILITY SHOULD BE ACTIVELY PURSUED. THE INTERNATIONAL ECONOMIC SITUATION CALLED FOR CLOSER CON-

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SULTATION BETWEEN GOVERNMENTS ON QUESTIONS OF ECONOMIC POLICY.

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C) (1) THE MEETING NOTED THAT FROM 1974 TO 1976 MOST EFTA COUNTRIES HAD MANAGED TO KEEP UNEMPLOYMENT FAIRLY LOW, COMPARED WITH THE REST OF THE OECD AREA. IN SOME COUNTRIES, HOWEVER, THIS HAD RESULTED IN CONSIDERABLE DEFICITS IN CURRENT BALANCES OF PAYMENTS, LARGE CHANGES IN EXCHANGE RATES, PRICE INCREASES AND UNCLASSIFIED

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AN EROSION OF THE COMPETITIVENESS OF THEIR INDUSTRIES.

(2) A NUMBER OF SPECIFIC MEASURES HAD BEEN USED BY SOME EFTA COUNTRIES IN ORDER TO KEEP EMPLOYMENT AT A HIGH LEVEL, INCLUDING SPECIAL MEASURES FOR THE UNEMPLOYED AND FOR REGIONS AND INDUSTRIES WITH SPECIFIC PROBLEMS. FURTHERMORE, DEMAND MANAGEMENT HAD PLAYED AN IMPORTANT ROLE IN MOST EFTA COUNTRIES IN THE EFFORT TO CREATE A BALANCE BETWEEN SUPPLY AND DEMAND FOR GOODS, SERVICES AND LABOR.

(3) IT WAS RECOGNIZED THAT INDUSTRIALIZED COUNTRIES WERE AT PRESENT CONFRONTED WITH CONSIDERABLE STRUCTURAL PROBLEMS AND THAT ADJUSTMENTS MUST BE ATTEMPTED WHICH WOULD REQUIRE INCREASED INVESTMENT. IN THIS CONNECTION THE SPECIFIC NEED WAS STRESSED TO PROVIDE SECURE AND PRODUCTIVE EMPLOYMENT FOR ALL SECTIONS OF THE LABOR FORCE, MEN AND WOMEN, AND TO PROVIDE APPROPRIATE CONDITIONS FOR THE RECOVERY OF INVESTMENT IN THE PUBLIC AND PRIVATE SECTORS.

(4) ON SELECTIVE MEASURES, THE MEETING NOTED ITS OBVIOUS PREFERENCE FOR APPLYING FUNDS NOW SPENT ON UNEMPLOYMENT BENEFITS FOR MORE PRODUCTIVE ENDS TO CREATE NEW JOBS, ENCOURAGE JOB MOBILITY AND STIMULATE BUSINESS AND ECONOMIC ACTIVITY.

D) AGAINST THE BACKGROUND OF THE DEVELOPMENTS IN CURRENCY MARKETS THE MEETING DISCUSSED THE POSSIBILITIES OF PROMOTING BETTER INTERNATIONAL ECONOMIC COORDINATION. AMONG OTHER THINGS, THE FOLLOWING WERE MENTIONED FOR FURTHER CONSIDERATION IN COMMON BY THE

GOVERNMENTS OF EFTA COUNTRIES:

1) FORWARD PLANNING OF THE MANAGEMENT AND, IN CASE OF FINANCIAL STRAITS, FINANCING OF CURRENT BALANCE DEFICITS;

2) COORDINATED MANAGEMENT OF THE FLOATING EXCHANGE RATES SYSTEM THROUGH THE IMF CODE OF CONDUCT AND OTHER MEANS.

E) THE MEETING STRESSED THE IMPORTANCE OF FULFILLING UNCLASSIFIED

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INTERNATIONAL TRADE COMMITMENTS AND THE OECD TRADE PLEDGE. IT UNDERLINED THE IMPORTANCE OF FURTHER EFFORTS TO EXPAND FREE TRADE AND IT EXPRESSED ITS CONVICTION THAT PROTECTIONISM WOULD BE HARMFUL AND COUNTER-PRODUCTIVE AND REJECTED IT AS A SOLUTION TO ECONOMIC PROBLEMS. IT EXPRESSED THE HOPE THAT THE TOKYO ROUND OF NEGOTIATIONS IN GATT WOULD LEAD TO SUBSTANTIAL RESULTS AND THAT FRUITFUL COLLABORATION WOULD FOLLOW FROM CURRENT DELIBERATIONS IN THE ECONOMIC COMMISSION FOR EUROPE.

F) THE MEETING AGREED THAT PROGRESS TOWARDS MORE BALANCED AND EQUITABLE ECONOMIC RELATIONS BETWEEN DEVELOPED AND DEVELOPING COUNTRIES WAS AN ESSENTIAL ELEMENT OF AN IMPROVED WORLD ECONOMY. EFFORTS SHOULD BE INTENSIFIED TO STRENGTHEN POLICIES TO THAT END.

G) THE MEETING AGREED THAT THE ECONOMIC SITUATION IN PORTUGAL WAS PARTICULARLY DIFFICULT AND REQUIRED SPECIAL ATTENTION. IT RECOGNIZED THAT THE EFTA INDUSTRIAL DEVELOPMENT FUND, WHICH HAD COME INTO OPERATION ON 1 FEBRUARY 1977, WAS A VALUABLE CONTRIBUTION TO THE DEVELOPMENT OF PORTUGUESE INDUSTRIES WITHIN THE FRAMEWORK OF A MARKET ECONOMY.

H) THE MEETING NOTED THAT, IN ACCORDANCE WITH THE FREE TRADE AGREEMENTS BETWEEN THE EFTA COUNTRIES AND THE EUROPEAN COMMUNITIES THE IMPORT DUTIES ON INDUSTRIAL PRODUCTS TRADED BETWEEN THE TWO GROUPS WOULD, WITH CERTAIN TEMPORARY EXCEPTIONS, BE ABOLISHED ON 1 JULY THIS YEAR. THUS FROM THAT DATE FREE TRADE IN INDUSTRIAL GOODS WOULD BE ESTABLISHED BETWEEN 16 NATIONS IN WESTERN EUROPE. IN WELCOMING THIS DEVELOPMENT, THE MEETING RECOGNIZED THAT FURTHER TECHNICAL IMPROVEMENTS IN THE OPERATION OF THE FREE TRADE AGREEMENTS COULD BE BENEFICIAL TO ALL PARTIES. FURTHERMORE, THE MEETING CONSIDERED THAT THE FREE TRADE THUS CREATED NEEDED TO BE SAFEGUARDED AND CALLED FOR CLOSER CONSULTATIONS ON ECONOMIC QUESTIONS, BEARING IN MIND THE FREE TRADE UNCLASSIFIED

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AGREEMENTS BETWEEN THE EFTA COUNTRIES AND THE EUROPEAN COMMUNITIES. TO THIS END FURTHER PRAGMATIC AND PRACTICAL CONTACTS BETWEEN THE COUNTRIES OF EFTA AND THE EC SHOULD BE EXPLORED.

H) THE MEETING WELCOMED THE FACT THAT PREPARATIONS WERE NOW BEING MADE FOR A CONFERENCE IN VIENNA OF MEMBERS OF GOVERNMENT OF THE EFTA COUNTRIES AT THE HIGHEST POSSIBLE LEVEL. THIS WOULD PROVIDE A VALUABLE OTPORTUNITY FOR FURTHER CONSIDERATION OF MANY OF THE IMPORTANT QUESTIONS WHICH HAD BEEN DISCUSSED AT THE STOCKHTLM MEETING. END TEXT.

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